

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 SS-15

NSC-05 L-03 STR-04 PA-01 PRS-01 USIA-06 XMB-02 AGR-05

/116 W

----- 114986

R 300203Z MAY 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 7298

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

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BRUSSELS FOR SECRETARY'S PARTY

PASS CEA, FRB, TREASURY

E.O. 11652: N/A

TAGS: ECON, OECD

SUBJECT: RENEWAL OF OECD TRADE PLEDGE

REF: A. OECD PARIS 13304

B. OECD PARIS 12828

C. OECD PARIS 11686

1. SUMMARY: MINISTERS AGREED ON SECOND DAY OF OECD MINISTERIAL (MAY 29) TO RENEW TRADE PLEDGE FOR ADDITIONAL ONE-YEAR PERIOD. WHILE ONLY PORTUGAL WAS UNABLE TO ACCEPT RENEWAL OF PLEDGE, SEVERAL COUNTRIES (UK, SPAIN, NEW ZEALAND) INDICATED THAT THEIR ACCEPTANCE OF PLEDGE WAS CONDITIONAL ON STRONGER COUNTRIES TAKING NECESSARY MEASURES TO BRING ABOUT EARLY AND SUSTAINABLE RECOVERY IN ECONOMIC ACTIVITY AND LEVEL OF WORLD TRADE. END SUMMARY.

2. ALL OECD COUNTRIES AGREED TO ACCEPT RENEWAL OF TRADE PLEDGE FOR AN ADDITIONAL YEAR WITH EXCEPTION OF PORTUGAL, WHICH STATED IT NOT IN POSITION TO DO SO "AT THIS STAGE" DUE TO COUNTRY'S DIFFICULT ECONOMIC CONDITIONS. PORTUGAL MADE POINT OF SAYING THAT BEST FORM OF AID TO PORTUGAL WOULD BE SYMPATHETIC ATTITUDE ON PART OF OECD MEMBER COUNTRIES TOWARD TRADE RESTRICTIONS BY PORTUGAL. TEXT OF COMMENTS AND ENTRY INTO MINUTES HAVE BEEN MODIFIED TO INSERT "WITH THE EXCEPTION OF THE GOVERNMENT OF PORTUGAL" AFTER "GOVERNMENTS OF THE OECD MEMBER COUNTRIES" WHEREVER THIS NOW APPEARS. MISSION COMMENT: SECRETARIAT AND EC WERE APPARENTLY TOLD TUESDAY OF PORTUGUESE INTENTION NOT TO RENEW PLEDGE BECAUSE OF RESTRICTIONS EXPECTED TO BE LIMITED OFFICIAL USE

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ANNOUNCED IN NEXT WEEK OR TWO. IN VIEW OF THIS, SECRETARIAT CONSIDERS PORTUGAL TOOK PROPER COURSE IN DECIDING NOT TO RENEW BUT BELIEVES CONSULTATIONS SHOULD TAKE PLACE WHEN MEASURES ACTUALLY TAKEN.

3. THREE COUNTRIES PUT FORWARD EXPLICIT CAVEATS WHEN AGREEING TO RENEWAL OF TRADE PLEDGE. UK (SHORE) QUALIFIED ITS AGREEMENT ON TWO COUNTS: FIRST, THAT

FINANCE TO COVER CURRENT ACCOUNT DEFICITS MUST CONTINUE TO BE AVAILABLE; AND SECOND, THAT QUID PRO QUO FOR WEAKER COUNTRIES AVOIDING UNILATERAL MEASURES MUST BE THAT COUNTRIES IN STRONGER POSITION SHOULD FOLLOW SUFFICIENTLY EXPANSIONARY DOMESTIC ECONOMIC POLICY TO SUSTAIN INTERNATIONAL DEMAND AND HELP ALLEVIATE PROBLEMS OF DEFICIT COUNTRIES. SHORE ALSO MADE POINTED REFERENCE TO LARGE SURPLUS OF ONE MEMBER COUNTRY (I.E. FRG) AND ITS FAILURE TO TAKE REFLATIONARY ACTION, WHICH DREW NO RESPONSE FROM GERMANS. UK CONCLUDED THAT, "WE ARE ABLE TO RENEW THIS DECLARATION ONLY ON THE UNDERSTANDING THAT THE TWO-SIDED NATURE OF THIS OPERATION IS GENERALLY ACCEPTED AND THE STRONGER COUNTRIES RECOGNIZE THE OBLIGATION ON THEIR SIDE TO EXPAND THEIR ECONOMIES SUFFICIENTLY TO AVOID MAKING THE PROBLEM FOR THE DEFICIT COUNTRIES INTOLERABLE."

4. SPAIN CALLED ATTENTION TO FACT THAT IT WAS EXPECTING ANOTHER LARGE DEFICIT ON CURRENT ACCOUNT IN 1975 AND THAT IT WOULD HAVE 16 PERCENT OF TOTAL OECD DEFICIT WHILE ITS GNP IS ONLY 2 PERCENT OF TOTAL OECD GNP. IN THESE CIRCUMSTANCES SPAIN COULD ACCEPT RENEWAL OF TRADE PLEDGE FOR ONE YEAR BUT MIGHT HAVE TO TAKE MEASURES IF

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R 300203Z MAY 75

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ITS EXTERNAL SITUATION DOES NOT IMPROVE SOON. NEW ZEALAND ALSO AGREED TO RENEWAL ASSUMING THAT RECOVERY IN INTERNATIONAL ACTIVITY WILL OCCUR SOON.

5. AUSTRIA AND NEW ZEALAND BOTH CALLED ATTENTION TO FAILINGS OF INITIAL TRADE DECLARATION DURING 1974-1975. AUSTRIA NOTED THAT IN ITS VIEW THE EUROPEAN COMMUNITY COUNTRIES HAD NOT COMPLIED WITH PROVISIONS OF TRADE PLEDGE WHEN EC IMPLEMENTED RESTRICTIONS ON CERTAIN IMPORTS SUCH AS BEEF. EC REPRESENTATIVE REPLIED THAT EFFORTS WERE BEING MADE TO REMOVE THESE RESTRICTIONS AS SOON AS POSSIBLE. NEW ZEALAND NOT ONLY POINTED TO RESTRICTIONS ON BEEF SINCE TRADE PLEDGE WAS FIRST ADOPTED, BUT NOTED THAT TRADE PLEDGE WOULD NOT PROVIDE RELIEF FROM EXISTING RESTRICTIONS ON AGRICULTURAL PRODUCTS IN TEMPERATE-ZONE COUNTRIES.

6. TEXT OF COUNCIL DRAFT ENTRY AND COMMENTS ON RENEWAL
OF TRADE PLEDGE, WHICH WAS TRANSMITTED SECSTATE IN
REFTELS, HAS BEEN MODIFIED AS INDICATED IN PARAGRAPH 2
ABOVE TO EXCEPT PORTUGAL FROM COUNTRIES WHO AGREED TO
RENEWAL. IN ADDITION, AT FRENCH SUGGESTION, PARAGRAPH 3
SENTENCE 1 WAS MODIFIED TO REFER TO AN ARRANGEMENT OF A
GENERAL NATURE ON EXPORT CREDITS "BETWEEN AS MANY AS
POSSIBLE OF THE INDUSTRIALIZED COUNTRIES." FINAL VER-
SION OF TRADE PLEDGE RENEWAL
BEING SENT SEPTEL TO ALL ADDRESSEES.
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